

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:2119

ANSWERED ON:29.07.2016

Trading in Commodities

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Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has any proposal to control online trading in commodities, if so, the details thereof;
- (b) the details of the commodity exchanges in operation in the country along with the manner in which they control the future trading;
- (c) whether essential commodities are also included/proposed to be included in online trading, if so, the details thereof and the reasons therefor; and
- (d) the steps being taken by the Government to check the adverse impact of online trading on availability and price of essential commodities?

Answer

Minister of State in the Ministry of Finance
SHRI ARJUN RAM MEGHWAL

(a) Pursuant to the provision of section 131 of the Finance Act, 2015, w.e.f. 29.09.2015, Securities and Exchange Board of India (SEBI) has been regulating commodity derivatives markets under the provision of the Securities Contracts (Regulation) Act, 1956. As for the online agriculture market, Government launched National Agriculture Market Scheme (e-NAM), with a budget of Rs. 200 crore, on 14.04.2016 under which, a pan-India electronic trading portal is being deployed in selected regulated wholesale markets in States across the country. Under the scheme, the Government is providing software free of cost to the States and grant up to Rs.30 lakh per mandi for related infrastructure/equipments including for assaying.

(b) Commodity Futures trading in India takes place on the platform of commodity derivative exchanges. Currently, there are three operational national exchanges having trading of derivatives which are (Multi Commodity Exchange, Mumbai; National Commodity and Derivatives Exchange, Mumbai and National Multi Commodity Exchange, Ahmedabad) and 3 operational commodity specific exchanges (Indian Pepper and Spice Trade Association (IPSTA), Kochi; Rajkot Commodity Exchange, Rajkot and Chamber of Commerce, Hapur).

Before launching contracts in any new commodity all these Exchanges have to take prior approval of SEBI. Exchanges have implemented various regulatory measures like position limits, risk management and margining framework etc. in line with the norms prescribed by SEBI.

(c) There is no ban on the online trading of essential commodities under the provision of the Essential Commodities Act, 1955. Futures trading is permitted in various commodities, including agricultural commodities and some essential commodities. Total 123 commodities/categories of commodities have been approved for Futures trading. Besides, 23 mandis of 8 States namely, Gujarat, Rajasthan, Haryana, Uttar Pradesh, Madhya Pradesh, Jharkhand, Himachal Pradesh and Telangana have been integrated with e-NAM. The list of mandis alongwith commodities being traded on e-NAM portal is at Annexure-A.

(d) Futures market only provides a platform for discovery of prices and hedging price risk. It has no role to play in the price inflation. Several studies have pointed out that future trading per se does not lead to any price rise. For instance, Abhijit Sen Committee set up by the Government in this regard concluded that there is no causal relationship between futures trading and inflation. Similar view has been echoed in the RBI Annual Report of 2009-10 also. Besides, an independent study in 2012 by Dr. Ashok Gulati concluded that during 1995-96 to December, 2012, fiscal deficit, global food inflation and domestic wages were instead the primary reasons for food inflation in India.

Fifteenth Report(2011) of the Parliamentary Standing Committee on Food, Consumer Affairs and Public Distribution states that futures trading does not impact the prices of agricultural commodities and that the Committee do agree with the views of various cooperatives and farmers organisations that commodity futures market is useful to the real economy and small/marginal farmers. There is a strict regulatory mechanism in place. SEBI keeps vigil on the movement of futures prices and takes measure for addressing excessive speculation and price manipulation in the commodity future market. There is no study on the adverse impact of online trading on the availability of essential commodities.

Annexure-A

State wise list of mandis along with Commodities being traded on e-NAM Portal

Sr.No. State APMC District Commodity proposed

1 Gujarat Patan Patan Castor Seed

2 Botad Bhavnagar Chana (Black Gram)

3 Himmatnagar Sabarkantha Wheat

- 4 Telangana Tirumalgiri Nalgonda Paddy, Arhar, Moong whole
- 5 Nizamabad Nizamabad Turmeric,Jowar,Wheat
- 6 Badepally Mahboobnagar Maize,groundnut,paddy
- 7 Hyderabad Hyderabad Onion,Red chillies
- 8 Warangal Warangal Maize
- 9 Rajasthan Ramganj Mandi Kota Chana (Black Gram)
- 10 Madhya Pradesh Karond, Bhopal Bhopal Chana (Black Gram)
- 11 Uttar Pradesh Sultanpur Sultanpur Wheat
- 12 Lakhimpur Lakhimpur Kheri Wheat
- 13 Lalitpur Lalitpur Wheat
- 14 Bahraich Bahraich Wheat
- 15 Saharanpur Saharanpur Wheat
- 16 Mathura Mathura Wheat
- 17 Haryana Ellanabad Sirsa Mustard,Guar seed
- 18 Karnal Karnal Wheat
- 19 Jharkhand Pandra, Ranchi Ranchi Mahua Flower, Tamarind
- 20 Himachal Pradesh Fruit Mandi, Solan Solan Shelling Peas, Tomato
- 21 Dhalli, Shimla Shimla Shelling Peas,Tomato, Apple
22. Haryana Ambala Ambala Sunflower Seed,Guar seed
23. Shahbad Shahbad Sunflower Seed
